

UNIVERSITY OF LIVERPOOL PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

PENSION SCHEME REGISTRATION NUMBER

10005520

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Contents	Page
Trustee and advisers	1
Report by the Trustee of the Scheme	2
Independent auditors' report	18
Independent auditors' statement about contributions	21
Fund Account	22
Statement of Net Assets (available for benefits)	23
Notes to the financial statements	24
Schedule of contributions	34
Actuary's certification of schedule of contributions	35
Implementation Statement	36

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Trustee and advisers

Trustee

The Trustee of the Scheme is the University of Liverpool Pension Fund Trustees Limited (“the Trustee Company”). The Directors who served during the year and those serving at the date of this Annual Report are as follows:

Prof C. Constantinescu	(Chair appointed 22 September 2021)
Dr C. Costello	
Ms N. Davies	
Mr M. Feeny	
Mr D. Harries	
Mr P. Hewitt *	
Ms S. Robinson**	(appointed 28 September 2022)
Mr D.J. Trafford **	(resigned 9 February 2023)
Mr A. Wattret *	
Mr. S. Walker	

* Member-nominated director

** Pensioner-nominated director

Secretary	Christine Jones, University of Liverpool Pension Fund, 502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD
Scheme Administrator	University of Liverpool
Actuary	James Auty BSc FIA Mercer
Independent Auditors	RSM UK Audit LLP
Legal Adviser	Pinsent Masons LLP
Investment Consultant	Mercer Limited
Investment Managers	Baillie Gifford and Co Blackrock Advisors (UK) Limited Columbia Threadneedle Investments DTZ (formerly Aegon Asset Management) J.P. Morgan Asset Management Newton Investment Management UBS Global Asset Management Limited Veritas Asset Management
Investment Custodian directly Appointed by the Trustee	Bank of New York Mellon – Custodian for Blackrock Advisors (UK) Limited (all other custodians are appointed by the investment managers)
Bankers	Barclays Bank plc
Principal and participating Employers	University of Liverpool (Principal Employer) University of Liverpool Energy Company Limited Liverpool School of Tropical Medicine
Name and address for enquiries	The Secretary, University of Liverpool Pension Fund, 502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD, cjj@liverpool.ac.uk

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Report by the Trustee of the Scheme For the year ended 31 July 2022

The Trustee of the University of Liverpool Pension Fund (the “Scheme”) presents its Annual Report for the year ended 31 July 2022.

The Scheme is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the “University”) and its associates in the United Kingdom. In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 with effect from 6 April 2006. It is established under and governed by a trust deed and rules dated 13 September 2017 and subsequent amendments. It was contracted out of the State Second Pension (S2P) until 5 April 2016 when contracting out ceased.

In accordance with the Occupational Pension Schemes (Member-Nominated Trustees and Directors) Regulations, four of the Directors of the Trustee Company have been selected from either the active membership or the pensioners. The member-nominated Directors can be removed only on the agreement of all the other Directors, although their appointment ceases if they cease to be members of the Scheme. In accordance with the Memorandum and Articles of Association, the University has the power to appoint and remove the other Directors.

The Board of the Trustee Company meets at least four times a year. It considers any changes in policy which are necessary to reflect changes in legislation, the Scheme’s requirements and general pension scheme practice and it monitors the management of the Scheme and its investments.

Financial Statements

The financial statements included in this Annual Report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Membership and Benefits

Membership of the Final Salary Section

	Pensioners ⁽¹⁾	Deferred Pensioners ⁽²⁾	Active Members	Total Member
At 1 August 2021	1,598	909	571	3,078
Adjustments ⁽³⁾	6	(2)	(3)	1
New members	-	-	-	-
Leavers:				
Retired	60	(43)	(17)	-
Transfer Out	-	(1)	-	(1)
Deferred	-	28	(28)	-
Death	(56)	-	(1)	(57)
Commutation	(5)	-	-	(5)
Cessation	(1)	-	-	(1)
New Spouse's Pension	18	-	-	18
At 31 July 2022	1,620	891	522	3,033

Notes

(1) Included within pensioners at 31 July 2022 are 229 spouses/dependants (2021: 222)

(2) Deferred pensioners are members who have left service but have elected to have their benefits retained within the Scheme until they become payable.

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Scheme and when the reports are run.

The final Salary Section closed to new members on 31 July 2011 (entry after this date is at the discretion of the University and may be granted in accordance with Rule 1.5 of the Trust Deed and Rules).

Membership of the CARE Section

	Pensioners ⁽¹⁾	Deferred Pensioners ⁽²⁾	Active Members	Total Member
At 1 August 2021	30	376	1,214	1,620
Adjustments ⁽³⁾	-	1	(2)	(1)
New members	-	-	394	394
Leavers:				
Retired	15	(5)	(10)	-
Refund	-	(5)	(107)	(112)
Transfer Out	-	(17)	-	(17)
Deferred	-	127	(127)	-
Death	(1)	-	-	(1)
Commutation	(4)	-	-	(4)
Suspensions ⁽⁴⁾	-	35	(35)	-
New Spouse's Pension	1	-	-	1
At 31 July 2022	41	512	1,327	1,880

Notes

(1) Included within pensioners at 31 July 2022 are 3 spouse/dependant (2021: 2)

(2) Deferred pensioners are members who have left service but have elected to have their benefits retained within the Scheme until they become payable.

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Scheme and when the reports are run.

(4) Suspensions are members who have left contributing membership and have the option of taking a refund of contributions or a transfer of their benefit.

(5) Any employee who has been automatically enrolled into the Scheme and opts out within the first 3 months is not included in the membership of the CARE Section.

The CARE Section, which offers career average benefits, opened to all new members on 1 August 2011.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Pension Increases

The Trustee in consultation with the University (the Principal Employer) reviews each year all pensions in payment. Pensions accrued from 6 April 1997 to 1 August 2005 are guaranteed to receive increases in payment in line with statutory provisions. Pensions accrued after 1 August 2005 are guaranteed to receive increases in line with the Retail Prices Index limited to 2.5%.

Any additional increases are payable at the discretion of the Trustee acting on the advice of the Actuary and with the consent of the University. In April 2022, a consolidated discretionary increase of 2.5% was granted in respect of pension benefits built up before 6 April 1997 in excess of the Guarantee Minimum Pension.

Actuarial Liabilities

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using the assumptions agreed between the Trustee and the Principal Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial valuation of the Scheme was carried out as at 31 July 2021. An updated estimated valuation was performed at 31 July 2022. The results of these valuations are detailed below:

	July 2022	July 2021
Value of technical provisions	£380.3m	£461.3m
Value of assets available to meet technical provisions	£570.5m	£620.9m
Assets as a percentage of technical provisions	150%	135%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as “solvency liabilities”) and equivalent information on this basis is provided below:

	July 2022	July 2021
Value of solvency liabilities	£517.0m	£681.7m
Value of assets available to meet solvency liabilities	£570.5m	£620.9m
Assets as a percentage of solvency liabilities	110.3%	91%

The value of the technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Pre-retirement discount rate (past service): The Nominal Gilt Yield Curve plus 2.25% per annum at each term.

Pre-retirement discount rate (future service): The Nominal Gilt Yield Curve plus 0.75% per annum at each term.

Discount rate (future service): 3.95% per annum being 80% of the best estimate return on the assets at the Valuation Date.

Rate of Inflation – Retail Prices Index (RPI): The Gilt Inflation Curve less a deduction of 0.15% at each term for past service and less a deduction of 0.3% per annum for future service.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Rate of Inflation – Consumer Prices Index (CPI): RPI inflation less 0.7% per annum at each term up to 2030 and then as RPI inflation with no adjustment thereafter. For future service the deduction prior to 2030 is 1.1% per annum.

Rate of pensionable earnings increase: CPI assumptions (plus a promotional scale for past service only).

Increases to pension in payment: Derived using a Black-Scholes stochastic model, applying any applicable maximum and/or minimum rates, based on the relevant central inflation assumption and an inflation volatility assumption of 1.75% p.a.

Cash commutation: Members assumed to take 80% of their maximum cash allowance at retirement based on current cash commutation rates.

Mortality – post retirement: 100% of 2019 Club Vita curves with a 1.5% per annum long term projected rate of improvement and a smoothing parameter (Sk) of 7.5 (CMI_2020 [1.50%]), using a year of birth approach.

Recovery Plan

As the Scheme was in surplus as at 31 July 2021, there was no requirement for a recovery plan to be drawn up.

Investment management

1. Introduction and Governance

Summary of Fund Investment structure

The overall investment policy of the Fund is determined by the Trustee having taken advice from its adviser, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection. Detailed consideration of investment matters is delegated to an Investment Advisory Committee, which makes recommendations to the Trustee Board for ratification.

The Trustee has produced a Statement of Investment Principles (“SIP”) in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme’s (Investment) Regulations 2005 and subsequent legislation. The SIP was updated in March 2022 and August 2022 to incorporate changes to the Fund’s investment strategy and to update the Trustee’s beliefs on Environmental, Social and Governance (“ESG”) matters. A copy of the latest SIP may be found at www.liverpool.ac.uk/hr/pensions/ulpf.

2. Employer Related Investments

The Trustee is satisfied that the proportion of the Fund’s assets in employer-related investments does not exceed 5% of the market value of the Fund’s assets as at 31 July 2022.

3. Market Background ¹

The post-pandemic rebound in July and August 2021 in developed countries drove risk-on sentiment in Q3 2021, however some economic restrictions remained, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks affecting a number of sectors. Soaring energy futures prices in the UK and continental Europe led to a further deterioration in sentiment.

The fourth quarter of 2021 did not bring much better news for investors, as persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets continued. The Federal Reserve began to taper asset purchases and the Bank of England increased interest rates by 15bps to 0.25% in December in an attempt to ease inflationary pressure.

¹ Statistics sourced from Refinitiv unless otherwise specified

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

2022 began positively for markets as the absence of far-reaching economic restrictions as a result of Covid supported demand in developed economies. Inflation continued to climb, which was exacerbated by the Russian invasion of Ukraine. Central banks were forced to accelerate the pace of tightening even as growth expectations were dialled down. The recovery in supply chains worsened due to the conflict, sanctions on Russia, and China locking down large swaths of its economy as a result of its zero Covid policy.

The second quarter of 2022 saw a continuation of the broad macro trends seen since the beginning of the year. Surging commodity prices and the aftermath of the enormous monetary and fiscal stimulus of the last two years led to new multi-decade records for inflation. Central banks continued monetary tightening which resulted in elevated market volatility and a sell-off in nearly all asset classes, with the exception of commodities. Growth expectations were reduced over the quarter as the increased likelihood of a recession was priced into markets.

Overall, the 12-month period to June 2022 was shaped by an initial six month period of strong global economic recovery which was supported by economies reopening, higher increased household savings being spent and loose monetary policy. A 'stagflationary' economic environment developed over the first half of 2022 amid spiralling inflation, tightening financial conditions and soaring commodity prices.

Over the 12-month period to 30 June 2022, sterling returns for developed market equities were negative. Emerging market equities also had negative returns. Markets sold off for much of 2022 as inflationary pressures exacerbated by Russia's invasion of Ukraine put pressure on corporate earnings and accelerated monetary tightening from developed market central banks, increasing recessionary risks.

Bond assets also generated negative returns as nominal and real yields rose over the year to June 2022, with most of the increase in yields occurring in late Q2 2022. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, rose by 22bps over the year reaching 3.7% as at the end of June 2022. Both investment grade and high yield credit spreads widened over the year. The negative return impact of rising spreads on credit was further exacerbated by rising rates.

UK commercial real estate had a strong start to 2022 as the post Covid recovery continued to drive the market forward. Investment returns in Q1 2022 were among the strongest on record and investment volumes returned to pre-pandemic norms. As we moved into the second quarter there were signs of momentum slowing, as the macro-economic backdrop worsened while concerns about inflation and rising interest rates dampened investor sentiment. The timelier MSCI UK Monthly All Property Index showed strong returns continuing into the second quarter of the year, with 12-month gross total returns of 25.1% to end May 2022.

Investment Markets²

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned -2.8%. The FTSE All World Emerging Markets index generated a return of -10.4% over the year to 30 June 2022.

At a regional level, European markets returned -10.1% as indicated by the FTSE World Europe ex UK Index. At a country level, UK stocks as measured by the FTSE All Share Index returned 1.6%. The FTSE USA Index returned -0.7% while the FTSE Japan Index returned -8.5%. The considerable outperformance of UK equities is attributed to the Index's large exposure to oil, gas and basic materials.

Equity market total return figures are in sterling terms over the 12-month period to 30 June 2022.

Bonds

UK Government Bonds, as measured by the FTSE Gilts All Stocks Index, returned -13.6%, while long dated issues, as measured by the corresponding Over 15 Year Index, had a return of -22.9% over the year. The yield for the FTSE Gilts All Stocks Index rose over the year from 1.0% to 2.4% while the Over 15 Year Index yield rose from 1.2% to 2.6%.

² Statistics sourced from MSCI Investment Property Database.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

The FTSE All Stocks Index-Linked Gilts Index returned -16.3% with the corresponding over 15-year index generating a return of -25.7%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts Index returned -12.9%. Bond market total return figures are in sterling terms over the 12-month period to 30 June 2022.

Property

Over the 12-month period to 30 June 2022, the MSCI UK All Property Index returned 23.7% in sterling terms. All three main sectors of the UK property market recorded positive returns over the period (retail: 22.3%; office: 7.6%; and; industrial 38.8%).

Currencies

Over the 12-month period to 30 June 2022, sterling depreciated by 12.1% against the US dollar from \$1.38 to \$1.21. Sterling appreciated by 7.6% against the yen from ¥153.33 to ¥164.99. Sterling depreciated against the euro by 0.3% from €1.165 to €1.162 over the same period.

Investment Policies and Objectives

In formulating its strategy, the Trustee has taken account of the results of the latest Actuarial Valuation, which was carried out with an effective date of 31 July 2021. The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Fund as they arise;
- The long term aim of the Fund is to ensure that, together with future contributions, the Fund's assets provide sufficient income to meet benefits and any expenses payable under the Fund as they fall due;
- The Trustee wishes to adopt a suitable investment policy in terms of both long-run strategic asset allocation and implementation, that will enable the Fund's asset value to increase in a prudent manner;
- The Trustee wishes to manage the risk that the investment policy could lead to the accrual of future benefits ceasing to be provided under the Fund;
- Subject to the strategic asset allocation containing a suitable level of risk, the Trustee wishes to generate surplus funds beyond the amounts expected to be required to meet the cost of standard benefits due to be payable under the Fund;
- The Trustee wishes the Fund to be solvent in the event of a winding-up;
- Each asset class has been considered and judged on merit for investment by the Trustee;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool ("the University") in relation to the volatility of the funding level and the payment of contributions.

The Trustee reviews the investment policy on an ongoing basis to ensure that the policies set out continue to be appropriate in line with the Trustee investment objectives. The Trustee reviewed its investment objectives as part of the 31 July 2021 Actuarial Valuation of the Fund.

When designing the investment arrangements, the Trustee considers the requirements of legislation, the funding objectives for the Fund and their views on the covenant of the University.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments

In establishing the Fund's investment arrangements (i.e. the selection, retention and realisation of investments) the Trustee considers what it believes to be financially material matters. The Trustee believes that factors such as environmental, social and governance (ESG) issues (including, but not limited to, climate change) may be financially material for the Fund over the long-term. Given the open nature of the Fund, this is expected to be more than 10 years from the date of this document.

Moreover, the Trustee believes that:

- The willingness and ability of companies to adopt the highest standards of social responsibility is increasingly important to long term growth in the value of their business;
- Successful enterprises are a partnership between the providers of capital, the labour force, the suppliers and the customers: investee companies should have appropriate policies in these areas;
- Good corporate governance, in addition, includes the management of the company's impact on society and the environment.

The Trustee has elected to invest the Fund's assets through pooled funds. The choice of pooled funds is made by the Trustee, with advice from its investment consultant as required. This has the practical result that the Trustee cannot by itself directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect the managers of the underlying funds, to take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments. The Trustee also expects that any advice received with regard to the selection of managers will take account of the managers' integration of ESG factors.

The Trustee expects that the investment managers should carefully consider a number of criteria when selecting and retaining suitable stocks for the Fund. Commercial reasons should be paramount but ESG factors are important qualities of companies and should contribute to growth on a long-term view.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- Retention of investments: Developing a monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: The Trustee will request information from the investment consultant and managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Fund's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:-

- The Trustee will obtain regular training from the Fund's Investment Consultant on ESG considerations in order to understand fully how ESG factors including climate change could impact the Fund and its investments;
- As part of ongoing monitoring of the Fund's investment managers, the Trustee will use any ESG ratings information available within the pensions industry, to assess how the Fund's investment managers take account of ESG issues; and
- The Trustee will request that all of the Fund's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on a regular basis. The Trustee will be reliant on the information presented by the investment managers regarding the extent to which they allow for ESG in their decisions.

The Trustee does not take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Fund (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The assets of the Fund are invested in pooled vehicles. Ownership is thus of units in unit trusts or managed funds.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

The Trustee is mindful of the underlying distribution of assets. In particular, it regards the distribution of the assets between “real” assets (global equities, infrastructure equity, and property) and “monetary” assets (UK fixed interest and cash) as appropriate to the Fund’s liabilities.

Having recognised the individual fund managers’ discretion over stock, bond, property and asset class selection, the Trustee nonetheless understands that it is the investment managers’ policy to invest in a diversified portfolio of appropriate assets within each asset class.

As the Fund invests via pooled funds, it is acknowledged that the Trustee is not able to impose explicit restrictions on asset classes given the policies are common to all investors. However, the Trustee has reviewed the asset class restrictions of the pooled funds and believe that these are appropriate for the respective objectives.

The Trustee recognises that its investment managers may invest in the following asset classes on behalf of the Fund, and in a range of marketable securities, for example:

- Global Equities;
- Infrastructure Equity;
- Government bonds;
- Corporate Bonds;
- Property; and
- Cash.

The above list of asset classes is not intended to be exhaustive. In particular, the Trustee’s Diversified Growth Fund managers have discretion to invest in alternative asset classes subject to restrictions noted in the above paragraph.

The Fund’s assets are invested in pooled vehicles, which in turn invest in underlying securities and properties. The Trustee believes that the Fund’s investments can be realised, if necessary.

Exercising of Rights Attached to Investments and Engagement Activities

The Trustee’s policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee’s behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee’s rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters).

The investment managers, having clear policies of voting on all important issues and on active engagement with companies on behalf of the Fund’s interests, have provided the Trustee with statements dealing with active engagement and voting policy and practices where appropriate.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on a regular basis. The Trustee will monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee may engage with the investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council’s UK Stewardship Code.

The Fund’s assets are invested via pooled funds. As such, direct control of voting is delegated to the investment manager of the pooled fund. The Trustee monitors this activity and includes it in its evaluation of the investment manager and where the Trustee has concerns it will raise this with the investment manager.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes the investment managers are best placed to engage with the investee companies on their performance, strategy, capital, structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

Investment Manager Appointment, Engagement and Monitoring

The Trustee has entered into investment management agreements with the managers, which comply with the Statement of Investment Principles. The agreements also set out the terms on which the assets are managed, and the investment guidelines and restrictions under which the managers must operate.

The safekeeping of the underlying assets is performed on behalf of the Trustee by custodians specifically appointed to undertake this function. The contractual arrangements with the custodians offer a very high level of protection against negligence or default on the part of the custodians.

The Trustee's investments are evidenced by quarterly transaction statements issued by the investment managers.

In recognising that the Fund invests via pooled funds, the Trustee acknowledges some of its ability to directly influence the investment managers, including incentivisation, is constrained. However the arrangements with the investment managers are governed by the relevant contract/Investment Management Agreement, and the investment managers are required to comply, which is monitored. The Trustee only select managers whose guidelines are consistent with the Statement of Investment Principles. Regular meetings with the managers facilitate two-way communications and would be expected to indicate areas of interest and resolve issues.

While the Trustee's ability to directly incentivise the investment managers is constrained by investing via pooled funds, the ultimate incentivisation - and by far the most powerful - is that if the investment manager does not adhere to and reflect the Trustee's policies then they lose some or all of the assets to manage and the corresponding revenue. In addition, in this circumstance, there could be significant reputational risk to the particular investment manager which could be even more commercially damaging. The direct and indirect incentives for investment managers to behave responsibly are considerable.

The Trustee monitors, via performance reporting provided by Mercer, its investment managers (absolute and relative) performance quarterly, with particular focus on the medium and longer term. Each portfolio is measured on a manager-specific basis (e.g. several managers have rolling 5 year targets and the performance target for some other portfolios is not duration-specific). Indeed some portfolios are not purely about performance in the sense of investment return but are held for other investment reasons, such as income generation and/or dampening total fund volatility. Monitoring and evaluation must be portfolio-specific and reflect why the portfolio is part of the total Fund. The Trustee specifically looks at the consistency of performance on the appropriate metric and in addition pays particular regard to the longest period the Fund has engaged with each manager on each portfolio; 'since inception' performance. As part of this reporting, the Trustee reviews and evaluates all the manager portfolio fees paying particular attention to 'value for money'.

The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus. The important investment feature of a portfolio is the 'net of costs' return as it is that return which grows the Fund and ultimately pays the promised benefits. Portfolio costs are both explicit, such as investment manager fees (possibly including a performance-related element), and implicit, such as portfolio turnover. Different assets, portfolios and investment managers will have their own discrete philosophy and style of management, with consequent turnover, and the Fund - while it monitors this ongoing- does not believe it appropriate to 'manage' this feature and, in particular, set limits on such activity. As any portfolio turnover, and consequent cost, is adverse to the ability of the investment manager to deliver satisfactory return there is already strong alignment between investment managers and the Fund. Setting turnover targets and/or limits could prevent an investment manager from pursuing their portfolio discretion and this is against the Fund's best interests. However, the Trustee would expect any manager with abnormal turnover (relative to their style of management) to identify this and give a rationale.

The Trustee selects investment managers with whom it can have a very long term relationship and so the investment manager arrangement is effectively in perpetuity, rather than time limited (with the exception of DTZ (formerly Aegon Asset Management), who manage a closed ended fund which will run off over time), provided the Fund deems that portfolio an appropriate part of its overall strategy and the Trustee is satisfied the investment manager is delivering value for money. However the Trustee retains the right to release any investment manager once appropriate advice has been taken.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Investment Strategy and Implementation

All investments have been managed during the year under review by the investment managers and there is a degree of delegation in respect of investment decision making.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Fund that should be invested in the principal market sectors, the day-to-day management of the Fund's asset portfolio, including full discretion for stock selection, is the responsibility of the investment managers.

The Trustee has implemented the following investment strategy with the aim of helping it achieve the investment objectives:

The current strategy is to hold broadly:

- 45% actively invested in Global Equities
- 5% actively invested in Infrastructure Equity
- 15% actively invested across two Multi-Asset ('Diversified Growth') funds
- 20% invested in Short and Medium Dated Corporate bonds on a 'Buy and Maintain' basis
- 15% actively invested in Property (including a 5% target allocation to Long Lease Property which has not yet been funded)

The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

Over the year under review, the Fund has made changes to the investment manager structure and benchmark allocation. A high level summary is provided below.

- This strategy was implemented in March 2022 with the change to decrease 5% from Global equities and adding the 5% in Infrastructure Equity.
- At the year end the Trustee had made a commitment to invest £30m to the Aviva Lime Property Fund Unit Trust. This is disclosed in note 22 of the financial statements.

With the exception of the J.P. Morgan Infrastructure Fund and the DTZ Active Value Property Fund (which is closed ended and is in run off), the Trustee regards the investments of the Fund as readily marketable. The liquidity characteristics for each of the funds is detailed below:

- The Global Equities and Diversified Growth Funds are daily priced and traded;
- The Buy and Maintain Credit Fund is weekly priced and traded;
- The UBS Core Property Fund is quarterly priced and traded;
- The Infrastructure Fund is quarterly priced and traded.

The actual allocations will vary from the strategic allocation above due to market price movements.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Asset Allocation

The following table provides more detail on the distribution of assets for the Fund.

Manager/Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)	
Baillie Gifford Global Equity	266.8	221.2	45.3	38.9	45.0
Veritas Global Equity	66.1	67.3	11.2	11.8	
Newton Diversified Growth	40.6	38.8	6.9	6.8	15.0
Columbia Threadneedle Diversified Growth	37.2	36.2	6.3	6.4	
JP Morgan Infrastructure	-	31.2	-	5.5	5.0
UBS Core Property	46.8	55.5	7.9	9.8	15.0
DTZ Active Value Property	22.9	25.4	3.9	4.5	
BlackRock Buy & Maintain Credit	109.0	92.4	18.5	16.3	20.0
Total	589.4	568.0	100.0	100.0	100.0

Source: Investment Managers, Refinitiv Datastream and Mercer, as at 31 July 2022. JP Morgan and DTZ which is as at 30 June 2022. JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2022.

BlackRock, UBS and the JP Morgan valuations include the value of income accrued but not yet distributed as at 31 July 2022.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices for Blackrock, Newton and UBS, Single price values for Baillie Gifford, DTZ, Veritas and Columbia Threadneedle and NAV for JP Morgan.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Investment Performance

Net of Fees

Manager/Asset Class	Last Year		Last 3 years		Last 5 years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)	Fund (% p.a.)	Benchmark (% p.a.)
Baillie Gifford Global Equity	-23.8	-3.7	5.3	8.4	7.9	9.0
Veritas Global Equity	-1.4	-2.6	-	-	-	-
Newton Diversified Growth	-3.5	0.3	3.3	0.3	-	-
Columbia Threadneedle Diversified Growth	-6.6	0.3	2.4	0.3	-	-
JP Morgan Infrastructure	-	-	-	-	-	-
UBS Core Property	24.5	23.3	10.4	9.2	9.2	8.1
DTZ Active Value Property	14.0	23.3	6.2	9.2	-	-
BlackRock Buy & Maintain Credit	-15.1	-13.1	-2.5	-2.0	-0.1	0.0
Total	-10.8	-0.6	4.7	5.5	6.0	6.1

Figures shown are as at 30 June 2022 and net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

Totals Performance to 30 June 2021 was provided by PIRC.

Total benchmark prior to 30 June 2021 was calculated using CPI for Columbia Threadneedle and including the performance target for Newton and Columbia Threadneedle.

BlackRock Buy & Maintain Credit is not formally managed to an index. Benchmark performance is shown for illustrative purposes.

No performance comparisons have been included for JP Morgan as they were only appointed during the year ended 31 July 2022.

Over the year under review, the Fund underperformed its composite benchmark over the 1 year and 3-year periods by 10.2% and 0.8% respectively, returning -10.8% and 4.7%.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

For the Fund's pooled investments, the Trustee has no direct ownership of the underlying assets of the pooled funds. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are shown in the table below.

Manager	Custodian
Baillie Gifford	Bank of New York Mellon.
Newton	
BlackRock	
Veritas	Brown Brothers Harriman Trustee Services (Ireland) Limited
JP Morgan	Citco*
UBS	JP Morgan Chase Bank, N.A
DTZ	Saltgate Limited ³
Columbia Threadneedle	Citibank NA

Source: Investment Managers.

- ^(a) Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investments managers.
- ^(b) Citco is JP Morgan's custodian but they do not have a custodian in the traditional sense of the role for a Private Equity Fund or a Hedge Fund. Their custodian only provides physical security for a few stock certificates for the Fund.
- ^(c) Bank of New York Mellon, Custodian for Blackrock Advisors (UK) Limited, is directly appointed for income only.

³ As the fund is a unit trust which invests in property, there is no custodian or equivalent in the same way as for other pooled funds. However, Saltgate Limited, as Managing Trustee of the trust, is responsible for the safe custody of cash on receipt from investors and the property title documents of underlying holdings.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Statement of Trustee’s Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 to 2004 to consider making reports to the Pensions Regulator and to the members.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the University of Liverpool Pension Fund’s website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Summary of contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	Employee £'000	Employer £'000
Required by the schedule of contributions		
Normal contributions	<u>304</u>	<u>9,588</u>
Contributions required by the schedule of contributions (as report on by the Scheme Auditors)	<u>304</u>	<u>9,588</u>
Other contributions payable		
Additional voluntary contributions	<u>44</u>	<u>-</u>
Total contributions reported in the financial statements	<u>348</u>	<u>9,588</u>

Contributions receivable

The contributions payable to the Scheme are based on actuarial advice and, in respect of existing staff, are related to earnings, considering an assessment of future earnings increases and inflation. Contributions for the year ended 31 July 2022, by participating employers, for the Final Salary Section and the CARE Section were paid at a rate of 16.0% of earnings. Members of the Final Salary Section contributed at a rate of 7.5% of earnings and members of the CARE Section contributed at a rate of 6.5% of earnings.

From 1 July 2009, a Salary Sacrifice Scheme called Pension Plus was introduced, whereby the employer pays an additional amount equivalent to the member's pension contribution, in exchange for an equivalent reduction in the remuneration of the member.

Additional voluntary contributions

At the year end 28 members (2021: 31) were paying additional voluntary contributions (AVC's) during the year to increase their pension entitlement at retirement. The contributions are used to buy added service and are invested alongside the Scheme's main investments.

Expenses

The Scheme bears the cost of administration by payment of a management fee to the University.

Guaranteed minimum pension benefits and equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A subsequent judgement in November 2020 determined that the requirement to equalise guaranteed minimum pensions (GMPs) between men and women should be extended to transfer value payments that were calculated on an unequalised basis. The impact of these judgements is being reviewed by the Trustee, with its advisers, in the context of the rules of the Scheme and the value of any liability. The 2021 actuarial valuation included an allowance of 0.3% (£1.4m) of the liabilities for GMP equalisation. No allowance has yet been made in relation to GMP equalisation on past transfers out of the scheme as this is still to be assessed. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of GMP equalisation is not expected to be material.

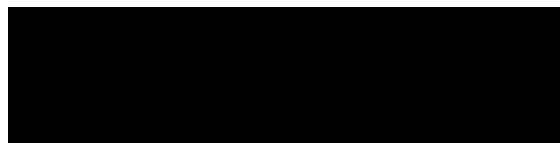
UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Further information

Requests for additional information about the Scheme generally, or queries relating to members' benefits, should be made to the Secretary to the Trustee at the address given on page 1.

Approval

The Trustee's Report (including the Summary of Contributions payable in the year on page 16) was approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 22 February 2023 and signed on its behalf by:



Director
Professor C. Constantinescu

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Independent Auditor’s Report to the Trustee of the University of Liverpool Pension Fund

Opinion

We have audited the financial statements of the University of Liverpool Pension Fund for the year ended 31 July 2022 which comprise the Statement of Net Assets (available for benefits), the Fund Account and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 July 2022, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme’s Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme’s Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. The Scheme’s Trustee is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 15, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements and the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorresponsibilities>. This description forms part of our auditor's report.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Use of our Report

This report is made solely to the Scheme’s Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme’s Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 22 February 2023

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Independent Auditor’s Statement about Contributions, under Regulation 4 of the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the University of Liverpool Pension Fund.

Statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to the University of Liverpool Pension Fund on page 16, in respect of the scheme year ended 31 July 2022.

In our opinion the contributions for the scheme year ended 31 July 2022 as reported in the attached summary of contributions on page 16 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 18 September 2019.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 16 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 15 in the Statement of Trustee’s Responsibilities, the Scheme’s Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Scheme’s Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to it in an auditor’s statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme and the Scheme’s Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 22 February 2023

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Fund Account for the year ended 31 July 2022

	Note	2022 £'000	2021 £'000
Contributions and benefits			
Employer contributions	4	9,588	9,391
Employee contributions	4	<u>348</u>	<u>349</u>
Total contributions		9,936	9,740
Other income	5	<u>99</u>	<u>186</u>
		10,035	9,926
Benefits paid or payable	6	13,015	12,995
Payments to and on account of leavers	7	386	631
Other payments	8	171	175
Administrative expenses	9	<u>762</u>	<u>737</u>
		14,334	14,538
Net withdrawals from dealings with members		(4,299)	(4,612)
Return of investments			
Investment income	10	6,042	5,359
Change in market value of investments	11	(51,318)	88,708
Investment management expenses	12	<u>(1,580)</u>	<u>(2,662)</u>
Net return on investments		(46,856)	91,405
Net (decrease) / increase in the fund during the year		(51,155)	86,793
Net assets of the Scheme at the start of the year		620,934	534,141
Net assets of the Scheme at the end of the year		569,779	620,934

The notes on pages 24 to 33 form part of these financial statements

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Statement of Net Assets (available for benefits) as at 31 July 2022

	Note	2022 £'000	2021 £'000
Investment Assets			
Pooled investment vehicles	13	566,580	588,534
Other investment balances	14	2,042	1,612
Total Investments	11	<u>568,622</u>	<u>590,146</u>
Current assets	19	2,599	33,267
Current liabilities	20	(1,442)	(2,479)
Net assets of the Scheme at 31 July		<u>569,779</u>	<u>620,934</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on Actuarial liabilities on pages 4 and 5 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 33 form part of these financial statements.

The financial statements were approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 22 February 2023 and signed on its behalf by: -



Director
Professor C. Constantinescu



Director
Dr. C. Costello

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Notes to the financial statements For the year ended 31 July 2022

1. General Information

The University of Liverpool Pension Fund (the “Scheme”) is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the “University”) and its associates in the United Kingdom. The Scheme is established as a trust under English law and is governed by a trust deed and rules dated 13 September 2017 and subsequent amendments. It was contracted out of the State Second Pension (S2P) until 5 April 2016 when contracting out ceased. The address for enquiries to the Scheme is included on page 1.

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a Registered Pension Scheme under Chapter 2 of Part 4 of The Finance Act 2004 with effect from 6 April 2006. This means that the contributions paid by both the employers and the members qualify for full tax relief, and the Scheme is exempt from income tax and capital gains tax (except for withholding tax on overseas investment income).

2. Basis of preparation

The financial statements of the University of Liverpool Pension Fund have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised 2018) (“SORP”).

The financial statements have been prepared on a going concern basis. In making this assessment, the Trustee has taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date of signing of these financial statements.

The Trustee has reviewed the cash flow forecasts of the Scheme for a period of twelve months from the date of signing of these financial statements. There have been no operational incidents post year end and the Trustee continues to review the employer covenant quarterly. No decision to wind up the Scheme has been taken by the Trustee or employer, nor has any event occurred which under the Trust Deed and current legislation would render the winding up of the Scheme inevitable and, accordingly, the Trustee has concluded that it is appropriate to prepare the financial statements on a going concern basis.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Accruals concept

The financial statements have been prepared on an accruals basis

(b) Currency

The Scheme’s functional currency and presentational currency is pounds sterling (GBP).

(c) Contributions

Employee normal contributions, including Additional Voluntary Contributions (AVCs), are accounted for by the Trustee when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer which is accounted for when received by the Scheme.

Employer normal contributions are accounted for on the same basis as the employee’s contributions, in accordance with the schedule of contributions in force during the year.

All contributions under salary sacrifice arrangements are classified as employer contributions.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

(d) Transfers to other plans

Transfer values have been included in the financial statements when the Trustees of the receiving Scheme accept the liabilities of the transferring members. They do not take account of members who have notified the Scheme of their intention to transfer. Transfer values paid during the year were determined in accordance with the Pensions Schemes Act 1993 and appropriate regulations. No transfer values paid represented less than their full cash equivalent and there were no discretionary benefits included in the calculation of transfer values.

(e) Benefits and refunds to leavers

Pensions in payment are accounted for in the period to which they relate.

Retirement benefits, where a member has a choice of either a full pension or a lump sum plus reduced pension, are accounted for on an accruals basis based on the date the option was exercised or on retirement if later or if there is no member choice, on the date of retiring.

Refunds on withdrawal, single cash sums on retirement and death benefit lump sums are accounted for on an accruals basis based on the date of leaving, retirement or death.

(f) Administration and other expenses

Administration expenses and premiums on term insurance policies are accounted for on an accruals basis.

(g) Investment income and expenditure

Income from pooled investment vehicles which distribute income is accounted for when declared by the fund manager.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, changes in market value also include income, net of any withholding tax, which is reinvested in the fund.

Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commission, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within the investment returns.

(h) Valuation and classification of investments

Investment assets are included in the financial statements at fair value.

Unitised pooled investment vehicles are valued at the year end bid price or, where single priced, at the single price, as advised by the investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value, determined in accordance with fair value principles, provided by the investment manager.

Valuations are based on bid prices for the Blackrock Buy and Maintain Fund, Newton Diversified Growth Fund and the UBS Property Fund. Valuations are based on single price values for the Baillie Gifford Global Equity Fund, DTZ (formerly Aegon Asset Management) Property Fund, Veritas Global Equity Fund and Columbia Threadneedle Diversified Growth Fund. The JP Morgan Infrastructure Fund is valued at NAV.

(i) Significant estimates and judgements

The Trustee makes estimates and assumptions concerning the future in the valuation of certain of their investment assets, in particular, those classified in Level 3 of the fair value hierarchy. Changing in the accounting estimates used will, by definition, alter the carrying value of these investments. However, the Trustee believes there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of these assets.

Investments held with DTZ (formerly Aegon Asset Management) and JP Morgan are valued at the 30 June quarterly valuation adjusted for any cash movements to the year end.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

4. Contributions

	2022 £'000	2021 £'000
Employer contributions		
Normal	<u>9,588</u>	<u>9,391</u>
Employee contributions		
Normal	304	300
Additional voluntary contributions	<u>44</u>	<u>49</u>
	<u>348</u>	<u>349</u>
Total contributions	<u>9,936</u>	<u>9,740</u>

Normal contributions for the year from the Scheme's participating employers are at the rate recommended by the actuary. Members are entitled to purchase additional defined benefits under the provisions of the Scheme.

From 1 July 2009, certain employees paid contributions under salary sacrifice arrangements. These are included within employer normal contributions and amounted to £2,641k (2021: £2,595k).

As the Scheme was in surplus at 31 July 2021, there was no requirement for a recovery plan to be drawn up. The participating employers have agreed with the Trustee that in accordance with the 2021 actuarial valuation, they will continue to pay 23.5% (2021: 23.5%) of pensionable earnings for final salary members and 22.5% (2021: 22.5%) of pensionable earnings for CARE members, less contributions paid by contributing members, in respect of the cost of accruing benefits for two years from 1 November 2022. These rates include an allowance for the costs of insuring death-in-service benefits, management and administration expenses, levies to the Pension Protection Fund, and member contributions at the rate of 7.5% (2021: 7.5%) of pensionable earnings for final salary members and 6.5% (2021: 6.5%) pensionable earnings for CARE members who participate in the University's salary sacrifice arrangement for pension contributions. From 1 November 2024, the total rates will increase to 25% of pensionable earnings for final salary members and 24% of pensionable earnings for CARE members.

5. Other income

	2022 £'000	2021 £'000
Claims on term insurance policies	<u>99</u>	<u>186</u>

6. Benefits paid or payable

	2022 £'000	2021 £'000
Pensions	10,885	10,425
Commutation of pensions and lump sum retirement benefits	1,768	2,264
Lump sum death benefits	190	286
Trivial Commutations	<u>172</u>	<u>20</u>
	<u>13,015</u>	<u>12,995</u>

7. Payments to and on account of leavers

	2022 £'000	2021 £'000
Refunds of contributions to members	5	4
Individual transfers out to other schemes	<u>381</u>	<u>627</u>
	<u>386</u>	<u>631</u>

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

8. Other payments

	2022 £'000	2021 £'000
Premiums on term insurance policies	<u>171</u>	<u>175</u>

9. Administrative expenses

	2022 £'000	2021 £'000
Actuarial fees	99	72
Computer Systems	22	21
Administration and processing	300	299
Legal fees	19	20
Audit fees	29	23
PPF and TPR levy	<u>293</u>	<u>302</u>
	<u>762</u>	<u>737</u>

10. Investment income

	2022 £'000	2021 £'000
Income from pooled investment vehicles	6,036	5,359
Interest on cash deposits	<u>6</u>	<u>-</u>
	<u>6,042</u>	<u>5,359</u>

Income from Baillie Gifford of £2,166k (2021: £1,850k) was not distributed but retained within the pooled investment vehicle. The income has been classified as change in market value, as the Baillie Gifford fund is an accumulating fund.

11. Reconciliation of investments

	Value at 1 August 2021 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 July 2022 £'000
Pooled investment vehicles	588,534	<u>29,500</u>	<u>(136)</u>	<u>(51,318)</u>	<u>566,580</u>
Other investment balances	1,612				<u>2,042</u>
Total investments	<u>590,146</u>				<u>568,622</u>

The operating companies managing the pooled investment vehicles are registered in the UK, other than the Managing Trustee of DTZ (formerly Aegon Asset Management), Saltgate who is registered in Jersey. The Blackrock Buy and Maintain Fund is registered in Ireland.

In December 2021, the Trustee invested £29.5m with J.P. Morgan Asset Management in their Infrastructure Investments Fund. The Fund is in US dollars and the exchange gain on the Fund during the period from investment to the year end was £2,445k. This is included within the change in market value above.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

As at 31 July 2022, the Scheme's investment of £55,309k (2021: £46,835k) in the UBS Triton Property Unit Trust, £25,409k (2021: £22,916k) in the DTZ (formerly Aegon Asset Management) Fund and £30,650k (2021: £Nil) in the JP Morgan Infrastructure Investment Fund were held in pooled investment funds with lower liquidity than the Funds' other investments. No adjustment has been made to the valuation of these investments.

Some members elect to pay additional voluntary contributions to secure additional benefits at retirement. Additional voluntary contributions are invested alongside the Scheme's main investments.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. As all investments are in pooled investment vehicles, no direct transaction costs have been identified. Indirect transaction costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

12. Investment management expenses

Each investment manager is paid a negotiated fee for their service, based in part on the value of the proportion of the Scheme from time to time under management. A performance fee may also be payable depending on the performance of the managers relative to the benchmarks and performance targets set.

	2022 £'000	2021 £'000
Administration, management and custody	1,464	2,565
Performance measurement services	-	19
Investment Advisory fees	<u>116</u>	<u>78</u>
	<u>1,580</u>	<u>2,662</u>

Mercer Limited are the Scheme's investment consultants. In 2021/22 performance measurement services fees are included in the administration, management and custody fee. Investment advisory fees relate to the advice on investment strategy and investment management selection.

13. Pooled investment vehicles

The Scheme's investment in pooled investment vehicles at the year end comprised:

	2022 £'000	2021 £'000
By type:		
Equities	288,530	332,940
Corporate Bonds	91,705	107,982
Property	111,368	69,751
Diversified Growth Funds	<u>74,977</u>	<u>77,861</u>
	<u>566,580</u>	<u>588,534</u>

14. Other investment balances

	2022 £'000	2021 £'000
Accrued investment income	1,380	948
Cash held with investment manager	<u>662</u>	<u>664</u>
	<u>2,042</u>	<u>1,612</u>

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

15. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Scheme’s investments have been included at fair value using the above hierarchy categories as follows:

	2022 Level 1 £'000	2022 Level 2 £'000	2022 Level 3 £'000	2022 Total £'000
Pooled Investment Vehicles	-	510,520	56,060	566,580
Other investment balances	2,042	-	-	2,042
	<u>2,042</u>	<u>510,520</u>	<u>56,060</u>	<u>568,622</u>

Analysis for the prior year end is as follows:

	2021 Level 1 £'000	2021 Level 2 £'000	2021 Level 3 £'000	2021 Total £'000
Pooled Investment Vehicles	-	565,618	22,916	588,534
Other investment balances	1,612	-	-	1,612
	<u>1,612</u>	<u>565,618</u>	<u>22,916</u>	<u>590,146</u>

Pooled investment vehicles which are traded regularly are generally included in Level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in Level 3 as appropriate.

The value of pooled investment vehicles which are not actively traded is provided by the investment manager. The latest quarterly valuation for the DTZ (formerly Aegon Asset Management) Fund was at 30 June and the Trustee has reviewed the fund movements and fair value to 31 July.

16. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises the following elements:

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk) whether those changes are caused by factors specific to the individual financial instrument, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment advisor. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Scheme's strategic investment objectives.

The Trustee's investment objectives are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio. The Scheme's Trustee Bank Account balance is not included in these disclosures.

Further information on the Trustee's approach to risk management is set out below.

(i) Investment Strategy

The Scheme's current investment strategy is as follows:

- 45% actively invested in Global Equities
- 5% actively invested in Infrastructure Equity
- 15% actively invested across two Multi-Asset ('Diversified Growth') funds
- 20% invested in Short and Medium Dated Corporate bonds on a 'Buy and Maintain' basis
- 15% actively invested in Property (including a 5% allocation to Long Lease Property, which has not yet been funded)

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the University covenant, the long-term liabilities of the Scheme and the funding agreed with the University. The investment strategy is set out in the Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustee's report.

(ii) Credit Risk

In order to gain exposure to certain asset classes in a cost effective way (in both monetary and governance terms), the Scheme invests in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and, therefore, directly exposed to credit risk at the year end was £566.6m (2021: £589.6m).

The Fund is subject to indirect credit risk through its exposure to bond and property assets, held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £247.4m (2021: £256.7m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes.

With respect to the Trustee's approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal.
- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generation as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generation purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk associated with direct cash balances held by the Fund's custodian or within the Trustee bank account is mitigated by the use of regular sweeps and invested into the pooled funds.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

- A summary of the pooled investment vehicles by type of arrangement is shown below.

Investment Type	2022	2021
	£'000	£'000
Authorised unit trusts	117,114	130,898
Unauthorised Exempt Property Unit Trust	55,309	46,835
Open ended investment companies	326,876	344,672
Common Contractual Fund	67,281	66,129
Total	566,580	588,534

Source: Investment Managers, Refinitiv Datastream and Mercer, as at 31 July 2021. JP Morgan and DTZ (formerly known as Aegon) which is as at 30 June 2022. JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2022.

BlackRock and UBS valuations include the value of income accrued but not yet distributed as at 31 July 2022.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices for Blackrock, Newton and UBS, Single price values for Baillie Gifford, Veritas and Columbia Threadneedle and NAV for JP Morgan.

- Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled fund manager operates and/or diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers.

(iii) Currency risk

The Fund is subject to direct currency risk because investments are held in pooled investment vehicles, denominated in a non-sterling currency totalling £30.6m (2021: nil).

The Fund is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £485.9m (2021: £519.8m). This value includes pooled investment vehicles that have only a partial exposure to currency risk. We note the Buy & Maintain credit mandate has been included here despite the Fund's holdings being currency hedged, given the hedging arrangements will not reduce 100% of the risk.

(iv) Interest rate risk

The Fund is subject to interest rate risk via its bond holdings, on pooled investment vehicles. When considering the actuarial funding of the Fund, the main interest rate risk is of falling interest rates causing a rise in the value placed on the liabilities.

The Trustee has set a benchmark allocation of 20% to bonds. If interest rates fall, the value of these assets is expected to rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets are expected to fall in value (as will the actuarial liabilities due to an increase in the discount rate). The Fund also has exposure to interest rate risk via the DGFs. The interest rate risk they introduce is expected to be low and/or taken by the investment manager as part of its investment process to add value. The value of holdings in aggregate which are subject to this risk total £166.7m (2021: £186.9m). This value includes pooled investment vehicles that have only a partial exposure to currency risk.

(v) Other price risk

Other price risk arises principally in relation to the Fund's non-bond assets, which includes Equities, DGF, Infrastructure and Property.

The Fund has set a target allocation of 80% to non-bond assets. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

	2022	2021
	£'000	£'000
Equity	288,530	332,940
Diversified Growth	74,977	77,861
Property	80,719	69,751
Infrastructure	30,650	-
Total	474,876	480,552

Source: Investment Managers, Refinitiv Datastream and Mercer, as at 31 July 2022. JP Morgan and DTZ (formerly known as Aegon) which are as at 30 June 2022. JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2022.

BlackRock and UBS valuations include the value of income accrued but not yet distributed as at 31 July 2022.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices for Blackrock, Newton and UBS, Single price values for Baillie Gifford, DTZ, Veritas and Columbia Threadneedle and NAV for JP Morgan.

17. Concentration of investments

Pooled Fund Investments accounting for more than 5% of the net assets of the Scheme at the year end were:

	2022		2021	
	£'000	%	£'000	%
Baillie Gifford Global Alpha Growth Fund	221,249	38.8	266,812	45.3
Blackrock Buy and Maintain UK Credit X Dist Fund	91,407	16.1	107,982	18.25
Veritas Global Focus Fund B Class	67,281	11.8	66,129	11.2
UBS Triton Property Unit Trust	55,309	9.7	46,835	7.9
Newton Real Return Fund Exempt Shares	38,825	6.8	40,647	6.9
Threadneedle Dynamic Real Return Fund S Accumulation	36,150	6.3	37,214	6.3
J.P. Morgan Infrastructure Investment Fund	30,650	5.4	-	-

Source: Investment Managers and Mercer, as at 31 July 2022, with the exception of JP Morgan which is at 30 June 2022. Excludes cash held in the Trustee bank account.

18. Employer related investment

There were no employer related investments at the year end (2021: None).

19. Current assets

	2022	2021
	£'000	£'000
Prepayments	7	195
Cash	2,592	33,072
	<u>2,599</u>	<u>33,267</u>

20. Current Liabilities

	2022	2021
	£'000	£'000
Due to participating employers	624	950
Unpaid benefits	140	3
Accrued expenses	678	1,526
	<u>1,442</u>	<u>2,479</u>

The amount due to participating employers relates to the monthly settlement described in note 21 that was outstanding at year end.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

21. Related party transactions

The following related party transactions arose during the year:

Entities with control, joint control or significant influence over the Scheme.

Administration and accountancy services were provided by the Principal Employer, The University of Liverpool. Fees payable by the Scheme in respect of these services amounted to £294k (2021: £283k) and are included within administration expenses.

The University pays all member payments and administrative expenses on behalf of the Scheme, which are then deducted from the contributions due and settled on a net basis each month. The amounts outstanding are shown in note 20.

Key management personnel of the Scheme

No fees were payable to the Trustee Directors in the year.

Pensions payable to the pensioner nominated trustee director together with a member nominated trustee director (appointed 28 September 2022) have been made in accordance with the Trust Deed and Rules.

Contributions received in relation to two member nominated trustee directors were in line with the Scheme's schedule of contributions.

22. Contractual commitments

At 31 July 2022 the Trustee had made a commitment to invest £30m with Aviva Investors Jersey Unit Trusts Management Limited in the Lime Property Fund Unit Trust. There were no other contractual commitments at 31 July 2022 or 31 July 2021.

23. Contingent liabilities

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A subsequent judgement in November 2020 determined that the requirement to equalise guaranteed minimum pensions (GMPs) between men and women should be extended to transfer value payments that were calculated on an unequalised basis. The impact of these judgements is being reviewed by the Trustee, with its advisers, in the context of the rules of the Scheme and the value of any liability. The 2021 actuarial valuation included an allowance of 0.3% (£1.4m) of the liabilities for GMP equalisation. No allowance has yet been made in relation to GMP equalisation on past transfers out of the scheme as this is still to be assessed. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of GMP equalisation is not expected to be material.

Other than the above and the liability to pay future pensions, the Scheme had no contingent liabilities at 31 July 2022 or 31 July 2021.

24. Trustee Company

The Trustee Company has no share capital and is limited by guarantee. The liability of members of the Trustee Company is limited to an amount not exceeding £1 Sterling. At 31 July 2022 there were 9 members (2021: 8).

25. Subsequent events

In October 2022, CQS accepted a commitment from the Trustee to invest £56.1m in their Credit Multi Asset Fund. The commitment was drawn down by CQS in a single instalment after the year end, in October 2022.

Schedule of Contributions

University of Liverpool Pension Fund

This schedule of contributions has been prepared by the trustees, after obtaining the advice of James Auty, the Scheme Actuary. It replaces the previous schedule of contributions, which was actuarially certified on 18 September 2019.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 July 2021 and the commencement of this schedule under the previous schedule of contributions, together with any further contributions paid during the same period.

Period covered by this schedule of contributions

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after that date.

Contributions by contributing active members

7.5% of earnings for Final Salary members and 6.5% of earnings for CARE members. These are to be deducted by the employer and paid to the scheme on or before the 19th of the calendar month following deduction. Any additional voluntary contributions payable by active members are payable in addition.

Contributions by employer in respect of future accrual of benefits, death in service benefits and expenses including the PPF levies

23.5% of earnings for Final Salary members and 22.5% of earnings for CARE members less contributions payable by contributing members above for the period up to 31 October 2024. From 1 November 2024 these will increase to 25.0% of earnings for Final Salary members and 24.0% of earnings for CARE members less contributions payable by contributing members above. Contributions are payable monthly by the 19th of the calendar month after that to which they relate.

The contributions include an allowance of 2.2% for the management and administration expenses of running the scheme including PPF levies and insurance premiums.

Additional employer contributions

The employer may pay additional contributions of any amount and at any time from those set out above.

Earnings

Member's salary plus any enhancements to the basic annual rate of salary or wages payable to a member plus pay (if any) relating to any additional hours worked for the member's employer including any enhancements to the rate of that pay provided that pay in respect of any hours worked by the member which are in excess of the normal full-time hours of an employee of the same grade as the member shall be excluded.

Signatures

Signed on behalf of the trustees:



Name: Prof Corina Constantinescu

Position: Trustee Director

Date: 28 October 2022

Signed on behalf of the employer: 

Name: Dr Carol Costello

Position: Director of People and Services

Date: 28 October 2022

Actuary's Certification of Schedule of Contributions

University of Liverpool Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 July 2021 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the trustees on) 28 October 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:



Date:

28 October 2022

Name:

James Auty

Qualification:

Fellow of the Institute
and Faculty of Actuaries

Address:

Tower Place West
London
EC3R 5BU

Name of employer:

Mercer Limited

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 July 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The SIP is a document that sets out the principles and policies governing how decisions about scheme investments are made for a pension scheme. The University of Liverpool Pension Fund's (ULPF) SIP is available at <https://www.liverpool.ac.uk/hr/pensions/ulpf/documents/>

Investment Objectives of the Fund

The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Fund as they arise;
- The long term aim of the Fund is to ensure that, together with future contributions, the Fund's assets provide sufficient income to meet benefits and any expenses payable under the Fund as they fall due;
- The Trustee wishes to adopt a suitable investment policy in terms of both long-run strategic asset allocation and implementation, that will enable the Fund's asset value to increase in a prudent manner;
- The Trustee wishes to manage the risk that the investment policy could lead to the accrual of future benefits ceasing to be provided under the Fund;
- Subject to the strategic asset allocation containing a suitable level of risk, the Trustee wishes to generate surplus funds beyond the amounts expected to be required to meet the cost of standard benefits due to be payable under the Fund;
- The Trustee wishes the Fund to be solvent in the event of a winding-up;
- Each asset class has been considered and judged on merit for investment by the Trustee;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool in relation to the volatility of the funding level and the payment of contributions.

Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in August 2022.

Not all the investment managers have reported on the exact specific scheme year to 31 July 2022 and in these circumstances we have used the 12 months to 30 June 2022.

The following work was undertaken in the year to 31 July 2022 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Engagement

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee, through its investment consultant, reviews the investment managers' policies and engagement activities (where applicable) when the managers present to the Trustee.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Funds' investment managers confirmed that they are signatories of the current UK Stewardship Code 2020, with Columbia Threadneedle becoming signatories in April 2022. The Trustee will continue to engage with the investment managers on the UK Stewardship Code and its relevance.

The strategic rationale of different asset classes that help the Trustee to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Fund's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

The Trustee reviews investment performance reports on a quarterly basis and as part of this consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. Where managers may not be highly rated from an ESG perspective, the Trustee continues to monitor and engage with those managers. The Trustee will also use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee meets with the investment managers regularly and can challenge decisions made including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.

The Fund's investment managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the managers invest in or by voting on resolutions at companies' Annual General Meetings, related to various governance, social or environmental issues.

Voting

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

The Trustee has considered the voting policy of the equity managers and the Trustee deems them consistent with their investment beliefs. Over the prior 12 months, the Trustee has not actively challenged the managers on their voting activity, however has asked managers to explain the reasons behind their key voting and engagement when they presented to the Trustee.

Overleaf are some examples of engagements by the Fund's investment managers.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Baillie Gifford

A summary of Baillie Gifford’s voting over the Fund year is shown below:

	Total	% of resolutions voted on for which Baillie Gifford were eligible	% of resolutions in which Baillie Gifford voted with management
Resolutions	1206	98.5%	97.3%

Baillie Gifford has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
Wizz Air Holdings Plc	Following on from their discussions on executive remuneration earlier this year, Baillie Gifford continued their discussions on sustainability topics by speaking with the CEO, CFO and Head of ESG. The company has an ongoing dialogue with the Science-Based Targets initiative and made its first submission to the Carbon Disclosure Project. They discussed how the company thinks about decarbonisation of its business and the broader aviation industry. In the medium-term, sustainable aviation fuel has the potential to contribute, while longer-term new airplane technology, in the form of electric and hydrogen planes, will be important. Baillie Gifford also discussed the company's efforts to improve diversity and inclusion, as well as maintaining open communication and good relationships with employees. Baillie Gifford think Wizz Air are taking a pragmatic approach to sustainability, which is supportive of the company's long-term strategy. They welcomed the opportunity to engage with the company and believe it has helped strengthen their relationship.
Moderna, Inc.	Baillie Gifford continued their conversation with Moderna on its approach to maximising access to its Covid-19 vaccine. They are very supportive of Moderna's tiered pricing model and its reinvestment in an expanding pipeline of vaccines and treatments but continue to encourage efforts to ensure universal vaccine access. Baillie Gifford thought this was a helpful call to explore some of the steps Moderna is taking and some of the challenges it has faced. They expressed that it was also encouraging to hear how the company is facilitating vaccine donations from countries with excess supply.
Abiomed, Inc.	Baillie Gifford had a call with the CFO and General Counsel of Abiomed to discuss recent changes to the compensation plan. They were concerned by the compensation committee's decision to grant recovery grants during the year. Baillie Gifford believed these awards undermined the integrity of the standard compensation policy and misaligned the experience of the senior management team and shareholders. They disagreed with the rationale for granting these special payments, outlining their strong belief that they did not consider them to be appropriate and their intention to oppose the executive compensation resolution. At the AGM, the pay proposal narrowly passed with 51 per cent support. Given this strong oppose vote, Baillie Gifford think it is important for the company to engage with shareholders and they look forward to encouraging better pay practices in the future.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Veritas

A summary of Veritas's voting over the Fund year is shown below:

	Total	% of resolutions voted on for which Veritas were eligible	% of resolutions in which Veritas voted with management
Resolutions	436	100.0%	87.0%

Veritas has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
Moody's Corporation	Veritas voted against the election of the Director Raymond W. McDaniel, Jr. The vote cast was driven by the guidance of Veritas's ESG Voting Policy and was on the basis that the company has failed to reach the level of 40% of gender diversity on the board, with the number not improving compared to the previous year.
CoStar Group, Inc.	Veritas voted against the election of the director Michael R. Klein. This is because the company does not have an Environmental Sustainability Committee chaired by a board director, or a named board member with responsibility for this area as evidence of appropriate concern. Additionally, the company had failed to disclose quantitative and qualitative environmental information through CDP's climate change, water and forests questionnaires. Veritas also noted that the company does not disclose its GHG emissions and has failed to introduce and disclose emission reduction targets. Furthermore, the company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 2 degree scenario.

Newton

A summary of Newton's voting over the Fund year is shown below:

	Total	% of resolutions voted on for which Newton were eligible	% of resolutions in which Newton voted with management
Resolutions	1385	100.0%	88.4%

Newton has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
Medtronic plc	Newton voted against the executive compensation arrangements and members of the compensation committee. A significant proportion of long-term compensation awards vest regardless of performance. In addition, and contrary to emerging best practice, non-executive directors were granted significant awards of stock options. Newton also voted against the appointment of the external auditor owing to the firm having served in this capacity for 58 consecutive years.
Greencoat UK Wind	Newton voted against the proposed issuance of equity-linked securities and the re-election of the chairperson of the board. They raised concerns over the past share issuance undertaken by the trust. Newton believed the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing energy prices.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

Columbia Threadneedle

A summary of Columbia Threadneedle’s voting over the scheme year is shown below:

	Total	% of resolutions voted on for which Columbia Threadneedle were eligible	% of resolutions in which Columbia Threadneedle voted with management
Resolutions	550	100.0%	85.5%

Columbia Threadneedle has provided the following example of where they have engaged on ESG related issues.

Company	Engagement and Voting Report
General Motors Company	Threadneedle voted in favour of increased reporting on the use of child labour in connection with the production of electric vehicles. The rationale behind this decision was to demonstrate their continued support of better ESG risk management disclosures. Threadneedle assert that active stewardship continues to form an integral part of their research and investment process.

JP Morgan

The JP Morgan Infrastructure Equity Fund invests in unlisted infrastructure equities. There is therefore no applicable voting data to report for the Fund, however the manager engages actively with underlying businesses. JP Morgan has provided the following examples of where they have engaged with companies in relation to ESG issues.

Company	Engagement and Voting Report
North Queensland Airports (NQA)	In Q3, North Queensland Airports (“NQA”) closed on its sustainability-linked loan which is one of first loans in the Australian market to address biodiversity and natural capital. The loan includes key performance indicators which incentivize the airport operator to enhance the habitat surrounding Cairns Airport and help save threatened wildlife, in partnership with the local Yirrganydji people. IIF Investment Principals worked together with NQA to complete the financing – including biodiversity targets into a financing structure. Cairns plays an important role in the gateway to Queensland’s world heritage areas – the tropical rainforests and the Great Barrier Reef.
Sonnex	Sonnex has been a leader in diversity, equity and inclusion initiatives and strategy. They held a virtual interactive DEI Summit with guest speakers and tangible action items and takeaways and invited DEI and ESG leaders from across the IIF portfolio in addition to members from the IIF team.
El Paso Electric	Under IIF ownership, the team has worked together with El Paso Electric to set carbon reduction goals (80% carbon free energy by 2035 and pursuit of 100% of decarbonization of generation portfolio by 2045) and also working together with EPE’s regulators and customers on achievable climate goals. The company is also adding renewables and storage solutions as well as replacing older, carbon-intensive assets to reduce its carbon emissions.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2022

BlackRock

	Total	Number of companies engaged	Number of companies with multiple engagements
Engagements	161	60	43

BlackRock has provided the following example of where they have engaged with Bank of Montreal (BMO) on ESG related issues. BlackRock manage the Fund's Buy & Maintain Credit allocation. As such, there is more limited scope for engagement on ESG related issues.

Company	Engagement and Voting Report
Bank of Montreal (BMO)	At the April 2022 AGM of Canadian-based Bank of Montreal (BMO), a shareholder proposal asked the bank to adopt a policy to not finance new fossil fuel supplies. BlackRock did not support the proposal, which they considered overly prescriptive and unduly constraining on management's and the board's decision-making. BlackRock believe it is not their position to tell companies what their strategies should entail, as this proposal prescribed. Rather, they assess, based on companies' disclosures, their climate action plan, board oversight and business model alignment with a transition to net zero by 2050. Further, based on the company's disclosures and their multi-year engagement with BMO, they considered the company to have made a clear commitment to align their business model with the transition to a net zero economy.

UBS

On the grounds that the strategy is a commingled real estate fund, the UBS Triton Fund does not currently invest in any listed companies and as such engagement in the traditional sense does not apply. With that said, UBS actively collaborate with tenants, property managers and suppliers of services and materials to achieve their Responsible Investment objectives. UBS formally survey their tenants at least once every three years on their general experience and sustainability.

UBS have developed a relationship with the Social Value Portal to collect data to calculate a social value for their properties to understand and measure local employment levels, traineeships, jobs for young offenders, community events held at the property and volunteering. Once the data is collected, the Social Value Portal are able to calculate in monetary terms a social value for each property which is then mapped to the UN's Sustainable Development Goals. By 31 December 2021, the total social value created by all assessed assets against three of the 17 UN Sustainable Development Goals was assessed to be c. £10m. UBS' ambition is to have a social value for the whole portfolio.

UBS are also participants/signatories to Global Real Estate Sustainability Benchmark ("GRESB").

DTZ (formerly known as Aegon Asset Management)

On the grounds that the strategy is a commingled real estate fund, the DTZ Active Value Property Fund does not invest in any listed companies and as such engagement in the traditional sense does not apply. The fund does however undertake pre-acquisition Environmental Assessments on all assets as part of the underwriting and risk management process. The fund is included within UNPRI and Stewardship Code submissions and annual GRESB submissions.